

## CHAPTER 16

### NATIONAL ACCOUNTS AND INTERNATIONAL TRANSACTIONS

This chapter presents data on Gross Domestic Product (GDP) and Balance of Payments of Palau. The sources of information are the Palau authorities, staff estimates, and the UNDP- and Government-sponsored Public Sector Development Project in Palau. The Gross Domestic Product presented in this chapter is the *nominal* GDP. The estimates for the period 1992-1998 were valued at current prices without adjusting for inflation. With the establishment of Consumer Price Index (CPI) in Palau later this year, *real* GDP, which is the GDP adjusted for inflation, will be estimated and presented commencing next year. The Balance of Payments, which was estimated by the International Monetary Fund (IMF) for Palau, has been presented here for the period 1992/93 to 1998/99.

**Gross Domestic Product.** In 1998, GDP stood at \$ 129.6 million, of which services sector comprising industries such as Public Administration, transport and communications, trade, hotels and restaurants, real estate and business services, finance and insurance, and other services contributed the largest share, accounting for 84.3 percent. Public utilities industry, such as electricity, gas and water, was unable to contribute a share in GDP, showing a negative in the value added. In the production sector, agriculture and fisheries accounted for only 2.0 % and 2.7 % of GDP respectively, while manufacturing, and mining & quarrying industries contributed a meager percentage of less than 1 percent.

In 1993, GDP showed a negative growth rate of 8 %, but recovered quickly in the following years 1994 and 1995, with very high growth rates of 11.6 % and 24.3 % respectively. The growth slowed down in 1996 to 18.1 %, and further declined to 5.5 % in 1997, followed by a negative growth rate of 1.2 % in 1998. The high GDP growth during 1994 and 1996 was attributable to the growths that escalated in the industries such as construction, hotels and restaurants, transport and communications, and real estate and business services.

**Balance of Payments.** The Balance of Payments for Palau has been estimated by the International Monetary Fund (IMF) for the period 1992/93 to 1998/99.

**Current Account.** Under the current account, the trade balance showed a deficit of \$ 52.3 million in 1998/99, as a result of an enormously high percentage of imports. The services account had a surplus of \$ 36.3 million. The investment income was \$ 7.6 million. In the current transfers account, official grants amounted to \$ 21.9 million. Including official grants, current transfers account showed a surplus of \$ 16.4 million, consequently resulting in a surplus of \$ 7.9 million in the current account. Excluding official grants, current account showed a deficit of \$ 14.0 million.

**Capital and Financial Accounts.** Capital and financial accounts, comprising capital grants and loan repayments, showed a deficit of \$ 1.9 million. Loan repayments amounted to \$ 4.1 million. For the period 1992/93 - 1998/99, there was no interest payment.

**Overall Balance.** The overall balance for 1998/99 showed a deficit of \$ 19.3 million, after adjusting for errors and omissions.